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*House of Braemore*

FURNITURE LIMITED

ANNUAL REPORT 1970

**EXECUTIVE OFFICES:** 4646 DUFFERIN STREET, TORONTO, ONTARIO

**DIRECTORS:** MORRIS WEINER  
HARVEY KENNETH WEINER  
ERNEST FINE  
JOHN ARTHUR GELLER, Q.C.  
MARVIN ZEMOR MANDELL

**OFFICERS:** MORRIS WEINER, President  
HARVEY KENNETH WEINER, Vice-President  
and General Manager  
ERNEST FINE, Secretary-Treasurer

**TRANSFER AGENTS  
AND REGISTRAR:** CROWN TRUST COMPANY

**BANKERS:** CANADIAN IMPERIAL BANK OF COMMERCE

**AUDITORS:** JORDAN AND JORDAN AND HERLICK

**ANNUAL MEETING:** 4646 Dufferin Street, Toronto, Ontario, Canada,  
Thursday, October 29, 1970 at  
9:30 a.m., Toronto Time



## REPORT OF THE PRESIDENT

The fiscal year, which ended on June 30, 1970, closed with virtually an apparent halt in the growth of the national economy. The year under review was one of the most gruelling years encountered by the home furnishings industry for a long time. The combination of tight money, limited residential construction, and a general weakening of conditions throughout the economy, made for an extremely restricted market for consumer durables.

Corporate sales showed a decline of 1.33% to \$5,970,446. The number of common shares outstanding, increased by 6.8% to 645,900 and earnings of \$256,363 were equivalent to 40¢ per share as compared to \$424,582, or 70¢ per share in the preceding year. Working capital increased from \$1,031,830 to \$1,602,828. At June 30, 1969, the working capital ratio was 1.6:1, at June 30, 1970, 3.49:1, a marked improvement in financial strength.

The decline in sales and profits referred to above is the result of a series of conditions which transpired during the fiscal year under review.

Because of limited market potential, and the necessity to remain extremely competitive, we have absorbed the increased costs of labour and raw materials, and have not inflated our selling prices to compensate for this increase.

While economic conditions continue to be difficult, management does not expect the erosion of profits to continue at the same rate in the future, and we feel that our shareholders should not become overly concerned about lower earnings for a restricted period.

Your company operates from a firm foundation of forty years of experience and stability in the home furnishings industry. We have a fine well-designed, competitively priced, and well-received line of household furniture, marketed at approximately 1,000 retail stores across Canada. As economic conditions improve, we are confident of our ability to hold our fair share of the available market and show profit accordingly.

Because of the prevailing environment we have not made any moves to acquire additional companies for external growth. Previous acquisitions continue to progress satisfactorily and a sound return on our investments is anticipated.

Your management is optimistic that Canada's future growth will be healthy and vigorous. We are equally confident that your company's growth, in pace with the national picture, will be sound, certain, and prosperous.



Morris Weiner,  
*President*

October 6, 1970



## CONSOLIDATED BALANCE SHEET

(With Comparative Figures)

## ASSETS

## CURRENT ASSETS

Balance in Bank .....	
Accounts Receivable .....	
Inventories (lower of cost or net realizable value) (Note 1.) .....	
Prepaid Expenses and Sundry Assets .....	
FIXED ASSETS (Note 2.) .....	
Deferred Charges (Note 3.) .....	
Deferred Taxes (Note 4.) .....	
Excess of Acquisition Cost Over Net Book Value .....	
Incorporation Expense .....	

	1970		1969
	\$ 101,780		\$ 222,262
	996,159		1,477,241
	1,102,436		1,001,201
	<u>45,252</u>	\$2,245,627	<u>40,245</u> \$2,740,949
		496,498	539,142
		47,204	53,812
		1,390	—
		636,652	636,652
		2,210	2,210
		<u>\$3,429,581</u>	<u>\$3,972,765</u>

APPROVED ON BEHALF OF THE BOARD:

M. WEINER, Director

H. WEINER, Director

TO BE READ WITH

## AUDITORS

To the Shareholders of House of Braemore Furniture Limited,  
4646 Dufferin Street, Downsview, Ontario.

Gentlemen:

We have examined the Consolidated Balance Sheet of House of Braemore Furniture Limited and its Retained Earnings and Source and Application of Funds for the year then ended. Our examination included all evidence as we considered necessary in the circumstances.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the company for the year then ended in accordance with generally accepted accounting principles, applied on a basis consistent with the practice of the company.

TORONTO, August 27, 1970



## Ontario

## es as at June 30, 1969)

## CURRENT LIABILITIES

Bank Loan .....	\$ —	\$ 130,000	
Accounts Payable and Accrued Liabilities .....	428,967	629,924	
Income Taxes .....	74,289	164,724	
Current Portion of Long Term Debt .....	139,743	147,481	
Balance Due on Purchase of American Frame			
Division Assets .....	<u>—</u>	\$ 642,999	636,990
Deferred Taxes .....		<u>—</u>	573
Long Term Debt (Note 5.) .....		844,477	945,331

## SHAREHOLDERS' EQUITY

## CAPITAL STOCK (Note 6.)

Authorized 1,500,000 Common Shares without par value				
Issued and Fully Paid 645,900 shares (1969 — 604,300) ..	1,261,160		893,160	
Add: Retained Earnings .....	<u>680,945</u>	<u>1,942,105</u>	<u>424,582</u>	<u>1,317,742</u>
		\$3,429,581		\$3,972,765

## OUR REPORT

## REPORT

wholly owned subsidiary as at June 30, 1970 and the related Consolidated Statements of Operations and general review of the accounting procedures and such tests of accounting records and other supporting

panies as at June 30, 1970 and the results of their operations and the Source and Application of their funds  
ent with that of the preceding year.

Respectfully submitted,  
JORDAN and JORDAN and HERLICK  
Chartered Accountants



# HOUSE OF BRAEMORE FURNITURE LIMITED

DOWNSVIEW

ONTARIO

## CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 1970

(With Comparative Figures for the Year Ended June 30, 1969)

	1970	1969
Sales .....	\$5,970,446	\$6,050,642
Other Income .....	—	11,511
	<u>\$5,970,446</u>	<u>\$6,062,153</u>
Cost of Sales, Selling, General and Administrative Expenses .....	5,431,119	5,191,647
Profit Before Interest on Long Term Debt and Depreciation .....	\$ 539,327	\$ 870,506
Interest on Long Term Debt .....	\$ 69,962	\$ 11,605
Depreciation .....	62,676	47,022
	<u>\$ 132,638</u>	<u>\$ 58,627</u>
Profit Before Taxes on Income .....	\$ 406,689	\$ 811,879
Income Taxes .....	150,326	387,297
Net Profit .....	<u>\$ 256,363</u>	<u>\$ 424,582</u>
Retained Earnings — Beginning of Period .....	424,582	—
RETAINED EARNINGS END OF PERIOD .....	<u>\$ 680,945</u>	<u>\$ 424,582</u>
Earnings per Share .....	40¢	70¢

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JUNE 30, 1970

(With Comparative Figures for the Year Ended June 30, 1969)

### SOURCE OF FUNDS

	1970	1969
Net Profit .....	\$ 256,363	\$ 424,582
Depreciation .....	62,676	47,022
Amortization of Finance Charges .....	6,608	—
Long Term Debt of Subsidiaries Assumed on Acquisition .....	—	240,000
Loans from Shareholders .....	45,500	300,000
Long Term Debt .....	—	405,332
Common Shares Issued .....	368,000	21,500
	<u>\$ 739,147</u>	<u>\$1,438,436</u>

### USE OF FUNDS

Machinery and Equipment .....	\$ 20,032	\$ 506,818
Deferred Charges of Subsidiary .....	—	53,812
Incorporation Expense .....	—	2,210
Deferred Income Taxes .....	1,963	(573)
Long Term Debt .....	146,354	—
Excess of Cost of Acquisitions Over Net Book Values .....	—	636,652
	<u>\$ 168,349</u>	<u>\$1,198,919</u>

### INCREASE IN WORKING CAPITAL

Working Capital — July 1 .....	1,031,830	792,313
WORKING CAPITAL — JUNE 30 .....	<u>\$1,602,628</u>	<u>\$1,031,830</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 1970

### PRINCIPLES OF CONSOLIDATION

The accompanying financial statements include the accounts of the company and its wholly owned subsidiary The Hespeler Furniture Company Limited on a consolidated basis.

### NOTE 1. INVENTORIES

Inventories are valued at the lower of cost or net realizable value and consist of the following:

Raw Materials .....	\$ 554,175
Work in Progress .....	102,658
Finished Goods .....	<u>445,603</u>
	<u>\$1,102,436</u>

### NOTE 2. FIXED ASSETS

	<i>Cost or Appraised Value</i>	<i>Accumulated Depreciation</i>	<i>Net Investment</i>
Land .....	\$ 1,342	\$ —	\$ 1,342
Building .....	278,495	37,971	240,524
Machinery and Equipment .....	461,215	225,009	236,206
Leasehold Improvements .....	16,874	2,959	13,915
Automotive .....	<u>7,960</u>	<u>3,449</u>	<u>4,511</u>
	\$765,886	\$269,388	\$496,498

The building of The Hespeler Furniture Company Limited, is valued at an appraised value of \$260,000 which is \$20,000 less than an appraisal made by the Dominion Appraisal Company Limited on July 27, 1966. Additions to building and all other fixed assets are valued at cost.

### NOTE 3. DEFERRED CHARGES

Designs .....	\$ 3,000
Start Up Costs .....	31,200
Finance Charges .....	<u>13,004</u>
	<u>\$47,204</u>

### NOTE 4. INCOME TAXES

As at June 30, 1970, The Hespeler Furniture Company Limited has losses available for carry forward as a deduction against future years' profits. At current tax rates, the tax credit which would result from the carry forward amounts, will if realized, amount to approximately \$760. Income taxes have been increased by \$1,963 as a result of the company's policy in claiming capital cost allowances in excess of depreciation recorded in the records of the company in the prior year.

### NOTE 5. LONG TERM DEBT

Balance due on purchase of common shares of The Hespeler Furniture Company Limited:

October 1, 1970 — 7% .....	\$ 30,000
May 15, 1971 .....	70,000
May 15, 1972 .....	70,000
May 15, 1973 .....	70,000

Conditional Sales Contracts for purchase of production

equipment .....	55,220
Industrial Development Bank — 8½% due November 23, 1972 ....	43,500
Shareholders' Loans — 7% due December 31, 1971 .....	<u>645,500</u>
	\$984,220

Less: Instalments due within one year included in current liabilities .....

	<u>139,743</u>
	<u>\$844,477</u>

### SECURITY

The obligation to pay the \$30,000 assumed on the purchase of the common shares of The Hespeler Furniture Company Limited is secured by a pledge of 913 common shares of that company. The remaining balance of \$210,000 is unsecured.

Conditional Sales Contracts are on the production equipment.

The Industrial Development Bank is secured by a first mortgage on the real estate, a chattel mortgage and a supplementary chattel mortgage on the equipment, each in the amount of \$100,000.

Shareholders' Loans are unsecured.

### NOTE 6. CAPITAL STOCK

As at June 30, 1970, employees hold options on 13,000 common shares exercisable prior to October 3, 1973 at \$5.00 per share.

Changes in Capital Stock during the year are summarized as follows:

	<i>Number of Shares</i>	<i>Amount</i>
July 1, 1969 .....	604,300	\$ 893,160
Issued during the year by the exercise of employees' options .....	1,600	8,000
Issued during the year from treasury .....	<u>40,000</u>	<u>360,000</u>
June 30, 1970 .....	<u>645,900</u>	<u>\$1,261,160</u>

### NOTE 7. LEASES

Minimum Annual Rental costs under lease agreements (exclusive of taxes, Insurance and Maintenance Costs) which extend for more than five years from June 30, 1970, aggregate as follows:

1971-1979 — \$99,000

### NOTE 8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The total remuneration paid or payable by the company and its subsidiaries to its directors and senior officers amounted to \$177,170.

*Elegant Furniture for the Home*



**HOUSE OF BRAEMORE  
FURNITURE LIMITED**

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*House of Braemore*  
FURNITURE LIMITED

**PLANT AND EXECUTIVE OFFICES:**

4646 DUFFERIN STREET, DOWNSVIEW, ONTARIO

**DIRECTORS:**

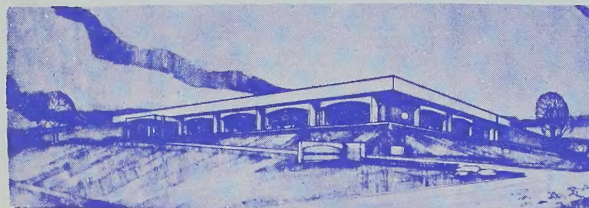
MORRIS WEINER

HARVEY KENNETH WEINER

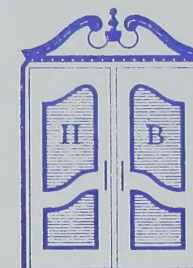
ERNEST FINE

JOHN ARTHUR GELLER, Q.C.

MARVIN ZEMOR MANDELL



*House of Braemore*



**OFFICERS:**

MORRIS WEINER,  
*President*

HARVEY KENNETH WEINER,  
*Vice-President and General Manager*

ERNEST FINE,  
*Secretary-Treasurer*

**TRANSFER AGENTS AND REGISTRAR:**

CROWN TRUST COMPANY

**BANKERS:**

CANADIAN IMPERIAL BANK OF COMMERCE

4646 DUFFERIN STREET  
DOWNSVIEW, (TORONTO) ONTARIO

**INTERIM REPORT  
FOR THE SIX MONTHS  
ENDED DECEMBER 31, 1968**

# HOUSE OF BRAEMORE FURNITURE LIMITED

## INTERIM REPORT TO SHAREHOLDERS

I am pleased to present the operating results of House of Braemore Furniture Limited, for the six months ended December 31, 1968.

The Company was incorporated on September 16, 1968, and the statement reflects the operations of the Company, combined with the operations of the previous partnership, from July 1 to September 16.

Sales for the six months ended December 31, 1968 show an increase of 8% over those of the previous partnership for the same period in 1967. Pre-tax profits for the six months under review were 15.9% of sales, an increase of 29% on the pre-tax profits of the partnership for the full year ended December 31, 1967.

(Half-year figures for 1967 are not available).

The outlook for the Company is encouraging.

There is a substantial backlog of orders on hand and increasing demands for housing units leads us to expect a continued sales growth in the foreseeable future.

MORRIS WEINER,  
President

## CONSOLIDATED STATEMENT OF INCOME

FOR SIX MONTHS ENDED DECEMBER 31, 1968

<u>Sales</u>	\$2,458,610
Cost of Sales	\$2,058,000
Provision for depreciation	7,931
	<u>\$2,065,931</u>
Income before taxes	\$ 392,679
Provision for taxes	199,274
Net Income	<u>\$ 193,405</u>
Earnings per share	.32½¢

## SOURCE AND APPLICATION OF FUNDS

### Source of Funds

Net Income	\$ 193,405
Depreciation, not requiring a cash outlay	7,931
Deferred Income Taxes	1,038
Employees Stock options	21,000
	<u>\$ 223,374</u>

### Application of Funds

Additions to Machinery and Furniture	\$ 6,570
Incorporation expense	2,210
	<u>\$ 8,780</u>
Increase in Working Capital	\$ 214,594
Working Capital July 1, 1968	792,313
Working Capital December 31, 1968	<u>\$1,006,907</u>

All figures are subject to independent year end audit.